

## **RURAL UTILITIES PROGRAM**

**Statement of Hilda Gay Legg, Administrator, before the Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies**

Mr. Chairman, Members of the Subcommittee, thank you for the opportunity to present the President's Fiscal Year (FY) 2005 budget for the USDA Rural Development, rural utilities program. We appreciate the work and support you and other members of this subcommittee have provided for a strong, dependable infrastructure in the rural United States.

All aspects of a rural society are work together to make a strong nation. Safe, affordable, modern utility infrastructure is an investment in economic competitiveness and serves as a fundamental building block of economic development. Changes in the landscape of rural America, along with developments in technology, and changes in the market structure are combined with an aging utility infrastructure. These changes are occurring in the electric, telecommunications, and water sectors. Without the help of USDA Rural Development rural utilities program, rural citizens face monumental challenges in participating in today's economy and improving their quality of life.

The \$42 billion rural utilities program loan portfolio includes investments in approximately 2,000 electric and telecommunications systems and 7,500 small community and rural water and waste disposal systems serving rural communities. This local and Federal partnership is an ongoing success story. Eighty percent of the Nation's landmass continues to be rural, encompassing 25 percent of the population. In a recovering economy, this infrastructure investment spurs economic growth, creates jobs, and improves the quality of life in rural America.

## **ELECTRIC PROGRAM**

The rural utilities program budget proposes \$5 million in budget authority (BA) to support a program level of \$2.6 billion. This includes \$3.6 million in BA for a hardship program level of \$120 million, over \$1 million in BA for a \$100 million program level for direct municipal rates loans, \$700 million program level for the direct Treasury rate loans, \$60 thousand BA for \$100 million program level for guaranteed electric loans, and \$1.6 billion for Federal Financing Bank (FFB) direct loans. The Treasury loans are made at the cost of money to the Federal government, therefore the FFB loans do not require BA. Because Congress has provided very generous loan levels over the past 3 years, we have been able to eliminate most of the backlog in loan applications; and we feel the President's budget level will meet the demand during FY 2005.

To meet the demands of economic growth across our Nation, the need for transmission lines to deliver electric power where it is needed is placing new demands on cooperatives providing transmission service. To protect the quality of our environment while meeting growing power generation needs, the costs of maintaining and building power generation capacity is ever growing. We are seeing requests for large loan generation loans for the first time in almost 15 years.

## **ADVANCED TELECOMMUNICATIONS IN RURAL AMERICA**

No aspect of the rural utilities infrastructure faces more changes than the area of telecommunications. Congress, with the leadership of this Committee, has shown great confidence in the rural utilities program Telecommunications Program's ability to empower rural America with the most modern telecommunication tools to participate in today's global, digital economy. Job growth, economic development, and continued quality of life in rural America is directly tied to access to today's high-speed telecommunications.

#### **TELECOMMUNICATIONS BUDGET**

This year's budget proposes approximately \$35 million in budget authority for an overall broadband and distance learning and telemedicine telecommunications program level of \$356 million. The FY 2005 budget proposes a broadband loan program level of approximately \$331 million. This level of funding, coupled with the remaining balances from prior years, will provide ample support for the continued expansion of broadband services in rural areas. Included in the broadband loans request is approximately \$36 million in direct 4 percent loans, \$255 million in direct Treasury Rate Loans, and \$40 million in guaranteed loans.

In the regular telecommunications program, the FY 2005 budget proposes a program level of \$495 million. Included is \$145 million in direct 5 percent loans, \$250 million in direct treasury rate Loans, and \$100 million in Federal Financing Bank (FFB) direct loans guaranteed by the rural utilities program. All of this is driven by \$100 thousand in budget authority.

The budget also reflects the Administration's commitment to privatize the Rural Telephone Bank and does not request any budget authority or loan level for FY 2005.

Distance learning and telemedicine (DLT) technologies are having a profound impact on the lives of rural residents by assisting rural schools and learning centers in taking advantage of the information age and enabling rural hospitals and health care centers to have access to quality medical services only found in large hospitals. The distance learning and telemedicine program pulls together the best of Federal assistance and local leadership.

The DLT grants are budgeted at \$25 million, the same as Congress appropriated for FY 2004. The Budget proposes to zero out the loan program, simply because loan repayment is out of reach for most applicants, which are schools and hospitals. Even with increased marketing efforts over the past 2 years, less than \$21 million in loans were made in FY 2003.

#### **WATER AND ENVIRONMENTAL PROGRAMS**

The water and environmental programs provide two of the most basic of infrastructure needs for rural citizens which are clean, safe, and affordable drinking water and ecologically sound waste disposal. The Centers for Disease Control and Prevention in Atlanta, Georgia, reports there are still over 1,000 deaths each year from water borne diseases.

The budget request seeks approximately \$439 million in budget authority for a program level of \$1.4 billion in water and waste dispose loans and

grants. The program consists of \$90 million in budget authority to support \$1 billion in direct loans and \$75 million in loan guarantees and nearly \$346 million in water and waste disposal grants. In addition, the budget requests \$3.5 million in solid waste management grants.

#### **SUMMARY**

Rural utility infrastructure programs are interwoven in the fabric of USDA Rural Development programs. They are utilized to provide clean and safe water; modernize communications; create reliable electric power so that businesses can develop and homes can have lighting and heating, as well as open up access to information from the rest of the world.